

## § 203.46

## 30 CFR Ch. II (7–1–12 Edition)

(d) Each lease is eligible for up to two royalty suspension supplements. Therefore, the total royalty suspension supplement for a lease cannot exceed 10 BCFE.

(1) You may not earn more than one royalty suspension supplement from a single wellbore.

(2) If you begin drilling a certified unsuccessful well on one lease but the completion target is on a second lease, the entire royalty suspension supplement belongs to the second lease. However, if the target straddles a lease line, the lease where the surface of the well is located earns the royalty suspension supplement.

(e) If the same wellbore that earns an RSS as a certified unsuccessful well later produces from a perforated interval the top of which is 15,000 feet TVD or deeper and becomes a qualified well, it will be subject to the following conditions:

(1) Beginning on the date production starts, you must stop applying the royalty suspension supplement earned by that wellbore to your lease production.

(2) If the completion of this qualified well is on your lease or, in the case of a directional well, is on another lease, then you must subtract from the royalty suspension volume earned by that qualified well the royalty suspension supplement amounts earned by that wellbore that have already been applied either on your lease or any other lease. The difference represents the royalty suspension volume earned by the qualified well.

(f) If the same wellbore that earned a royalty suspension supplement later has a sidetrack drilled from that wellbore, you are not required to subtract any royalty suspension supplement earned by that wellbore from the royalty suspension volume that may be earned by the sidetrack.

(g) You owe minimum royalties or rentals in accordance with your lease terms notwithstanding any royalty suspension supplements under this section.

### **§ 203.46 To which production do I apply the royalty suspension supplements from drilling one or two certified unsuccessful wells on my lease?**

(a) Subject to the requirements of §§ 203.40, 203.43, 203.45, 203.47, and 203.48 you must apply an RSS in § 203.45 to the earliest oil and gas production:

(1) Occurring on and after the day you file the information under § 203.47(b),

(2) From, or allocated under a BSEE-approved unit agreement to, the lease on which the certified unsuccessful well was drilled, without regard to the drilling depth of the well producing the gas or oil.

(b) If you have a royalty suspension volume for the lease under § 203.41, you must use the royalty suspension volumes for gas produced from qualified wells on the lease before using royalty suspension supplements for gas produced from qualified wells.

*Example to paragraph (b):* You have two shallow oil wells on your lease. Then you drill a certified unsuccessful well and earn a royalty suspension supplement of 5 BCFE. Thereafter, you begin production from an original well that is a qualified well that earns a royalty suspension volume of 15 BCF. You use only 2 BCFE of the royalty suspension supplement before the oil wells deplete. You must use up the 15 BCF of royalty suspension volume before you use the remaining 3 BCFE of the royalty suspension supplement for gas produced from the qualified well.

(c) If you have no current production on which to apply the RSS allowed under § 203.45, your RSS applies to the earliest subsequent production of gas and oil from, or allocated under a BSEE-approved unit agreement to, your lease.

(d) Unused royalty suspension supplements transfer to a successor lessee and expire with the lease.

(e) You may not apply the RSS allowed under § 203.45 to production from any other lease, except for production allocated to your lease from a BSEE-approved unit agreement. If your certified unsuccessful well is on a lease subject to a BSEE-approved unit agreement, the lessees of other leases in the unit may not apply any portion of the RSS for your lease to production from the other leases in the unit.

## Safety & Environmental Enforcement, Interior

## § 203.48

(f) You must begin or resume paying royalties when cumulative gas and oil production from, or allocated under a BSEE-approved unit agreement to, your lease (excluding any gas produced from qualified wells subject to a royalty suspension volume allowed under §203.41) reaches the applicable royalty suspension supplement. For the month in which the cumulative production reaches this royalty suspension supplement, you owe royalties on the portion of gas or oil production that exceeds the amount of the royalty suspension supplement remaining at the beginning of that month.

### § 203.47 What administrative steps do I take to obtain and use the royalty suspension supplement?

(a) Before you start drilling a well on your lease targeted to a reservoir at least 18,000 feet TVD SS, you must notify, in writing, the BSEE Regional Supervisor for Production and Development of your intent to begin drilling operations and the depth of the target.

(b) After drilling the well, you must provide the BSEE Regional Supervisor for Production and Development within 60 days after reaching the total depth in your well:

(1) Information that allows BSEE to confirm that you drilled a certified unsuccessful well as defined under §203.0, including:

(i) Well log data, if your original well or sidetrack does not meet the producibility requirements of 30 CFR part 550, subpart A; or

(ii) Well log, well test, seismic, and economic data, if your well does meet the producibility requirements of 30 CFR part 550, subpart A; and

(2) Information that allows BSEE to confirm the size of the royalty suspension supplement for a sidetrack, including sidetrack measured depth and supporting documentation.

(c) If you commenced drilling a well that otherwise meets the criteria for a certified unsuccessful well on a lease located entirely in more than 200 meters and entirely less than 400 meters of water on or after May 18, 2007, and finished it before December 18, 2008, you must provide the information in paragraph (b) of this section no later than February 17, 2009.

### § 203.48 Do I keep royalty relief if prices rise significantly?

(a) You must pay royalties on all gas and oil production for which an RSV or an RSS otherwise would be allowed under §§203.40 through 203.47 for any calendar year when the average daily closing NYMEX natural gas price exceeds the applicable threshold price shown in the following table.

For a lease located in water . . .	And issued . . .	The applicable threshold price is . . .
(1) Partly or entirely less than 200 meters deep,	before December 18, 2008,	\$10.15 per MMBtu, adjusted annually after calendar year 2007 for inflation.
(2) Partly or entirely less than 200 meters deep,	after December 18, 2008,	\$4.55 per MMBtu, adjusted annually after calendar year 2007 for inflation unless the lease terms prescribe a different price threshold.
(3) Entirely more than 200 meters and entirely less than 400 meters deep,	on any date,	\$4.55 per MMBtu, adjusted annually after calendar year 2007 for inflation unless the lease terms prescribe a different price threshold.

(b) Determine the threshold price for any calendar year after 2007 by adjusting the threshold price in the previous year by the percentage that the implicit price deflator for the gross domestic product, as published by the Department of Commerce, changed during the calendar year.

(c) You must pay any royalty due under this section no later than March 31 of the year following the calendar year for which you owe royalty. If you

do not pay by that date, you must pay late payment interest under 30 CFR 1218.54 from April 1 until the date of payment.

(d) Production volumes on which you must pay royalty under this section count as part of your RSV and RSS.